

CHIEF AUDITOR'S REPORT JUNE 2006

SUBJECT	DATE OF ASSIGNMENT	STATUS
1. Biennial Audit Plan	June 2005	A quarterly status report showing all progress towards completion of the Biennial Audit Plan, as of March 31, 2006, is included as Agenda Item 4 for this Finance Committee meeting.
2. Enterprise-wide Risk Assessment	On-going Workload	The Office of Audit Services completed an annual enterprise-wide risk assessment for the purposes of developing the annual audit plan. The results of the risk assessment and audit plan for 2006/07 are included as Agenda Item 5 & 6, respectively, for this Finance Committee meeting.
3. Quality Assurance Review	On-going Workload	The Institute of Internal Auditors <i>Standards for the Professional Practice of Internal Auditing</i> requires Quality Assessment Reviews (QAR) of internal audit organizations to ensure compliance with the Standards. The Department of Finance will perform the QAR commencing September 2006. The Office of Audit Services will report the results to the Finance Committee.
4. Financial Statement RFP	On-going Workload	The Office of Audit Services received 2 bids to perform financial statement audits of CalPERS' Funds for the Fiscal Years Ending June 30, 2007 through June 30, 2011. The bids are from the regional firms Brown Armstrong and Macias Gini & Company. The proposals are under evaluation and the finalist(s) will be notified June 26, 2006. Interviews and on-site visits will be performed after that date. The finalist will be presented to the Finance Committee for approval at the September 8, 2006 meeting.
5. Monitoring and Responding to Exposure Drafts and Proposals	Ongoing Workload	<u>Public Company Accounting Oversight Board (PCAOB)</u> On May 10, 2006 the PCAOB and the SEC held a roundtable discussion on second-year experiences with reporting and auditing requirements of the Sarbanes Oxley Act of 2002 related to companies' internal controls over financial reporting. Specifically companies were asked whether resources were now allocated more efficiently, and whether progress had been made toward the goal of improved financial reporting. A summary of the roundtable discussion has been provided to the Finance Committee and highlights will be presented orally.

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6. Reportable Significant / Material Findings	Ongoing Workload	No new issues to report.